REPORT NO.: RES41460

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RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

SINT MAARTEN EMERGENCY RECOVERY PROJECT I

APPROVED ON JULY 10, 2018

TO

GOVERNMENT OF SINT MAARTEN

URBAN, RESILIENCE AND LAND

LATIN AMERICA AND CARIBBEAN

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I. BASIC DATA

Product Information

<table>
<thead>
<tr>
<th></th>
<th>Financing Instrument</th>
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<tbody>
<tr>
<td>Project ID</td>
<td>Investment Project Financing</td>
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<td>P167339</td>
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<table>
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<td>Partial Assessment (B)</td>
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<th>Approval Date</th>
<th>Current Closing Date</th>
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<td>10-Jul-2018</td>
<td>01-Jun-2023</td>
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Organizations

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<th>Borrower</th>
<th>Responsible Agency</th>
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<td>Government of Sint Maarten</td>
<td>National Recovery Program Bureau</td>
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Project Development Objective (PDO)

Original PDO

The Project Development Objective (PDO) is to contribute to Sint Maarten’s immediate emergency recovery needs and strengthen institutional capacity to manage resilient recovery and reconstruction.

Summary Status of Financing

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Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES
A. Project Status

1. The Project Development Objective (PDO) of the Emergency Recovery Project - I (ERP-I) is to contribute to Sint Maarten’s immediate emergency recovery needs and to strengthen institutional capacity to manage resilient recovery and reconstruction. The Project consists of four components:
   a) Component 1: Emergency measures for the recovery of disaster first responders and preparedness facilities;
   b) Component 2: Restore and increase resilience of utilities services after Hurricane Irma;
   c) Component 3: Housing and public buildings repair and reconstruction; and
   d) Component 4: Institutional support for reconstruction.

2. Since it became effective on July 18, 2018, the project has made substantial progress towards its project development objective (PDO) and disbursed 27.8% of the total Grant amount. The Project is rated Satisfactory in progress towards achievement of the PDO and Moderately Satisfactory in overall Implementation Progress (IP) in the latest Implementation Status and Results Report.

3. To date progress has been achieved under all components:
   a) Component 1: (i) Police Stations repairs phase-I was completed (addressing urgent repairs and improvement of working conditions of the police headquarters) and phase-II is ongoing (focusing on permanent internal and roof renovation at more resilient standards); (ii) repair work for the Radiosonde Building of the Meteorological Department was completed in February 2020; (iii) delivery of equipment was made to Fire Department including fire helmets, fire suits and safety shoes, and breathing and communication equipment; and (iv) the procurement for fire trucks, diesel water pumps, spare parts for ambulances was completed, and contract was signed for LiDAR terrain and bathymetric survey.

   b) Component 2: The Subsidiary Agreement between National Recovery Program Bureau (NRPB) and GEBE was signed in August 2019, despite the initial delays.

   c) Component 3: As of May 2020, the repair of a total number of 146 houses were completed out of the target of 350 housing units planned as per the Result Framework. This includes: (i) 37 houses repaired and delivered to their owners under the Government-led Single-Family Home Repair Program and (ii) the repair of 109 units of social housing at the Sint Maarten Housing Development Foundation (SMHDF). The contract for works for 148 remaining single-family home repairs has been awarded and the technical designs for another 64 units of social housing has been completed.

   d) Component 4: (i) successful transition of program implementation responsibility from the Interim Recovery Committee (IRC) to the NRPB and staffing of NRPB including for key management, program and project positions as well as operational and fiduciary jobs; (ii) Sint Maarten’s coverage for tropical cyclone, earthquake and excess rainfall from the Caribbean Catastrophe Risk Insurance Facility (CCRIF) for 2018 and 2019 was financed ; (iii) a Framework Agreement contract to bring the extended technical capacity to the NRPB is at final stage of evaluation.

B. Objective of Proposed Restructuring

4. This proposed restructuring responds to the Government of Sint Maarten's request to (i) extend the coverage of premiums related to the CCRIF policies, to the 2020 and 2021 policy years; and (ii) finance the annual fee to participate in the Caribbean Disaster Emergency Management Agency (CDEMA) and other similar organizations. The coverage resulting from these proposed changes will further strengthen the Government of Sint Maarten's ability to
respond to disasters and increase its institutional capacity to risk understanding, post disaster recovery, disaster preparedness. The proposed use of funds is fully in line with the development objective of the Project. The restructuring does not impact the project’s implementation arrangements, which remain unchanged and there are no safeguard implications.

C. Proposed Changes

5. The original CCRIF coverage under ERP-I only includes the participation fees and annual premiums for CCRIF policies for 2018 and 2019 policy years. The proposed restructuring is (i) to extend the coverage of CCRIF premiums to include 2020 and 2021 policy years and (ii) to include annual fees to participate in CDEMA and other similar regional and international organizations and/or programs focusing on disaster risk management (DRM) and resilience building. CDEMA is a regional inter-governmental agency for disaster management in the Caribbean Community (CARICOM). Its main functions are to assist participating states in immediate and coordinated emergency response and relief and to coordinate the establishment and enhancement of capacity on emergency disaster response among the Participating States. Sint Maarten would benefit greatly as a participating member from the knowledge sharing, capacity enhancement, and regional coordination that CDEMA could provide. Moreover, the proposed amendment would allow the Government to participate, in other similar organizations and programs whose knowledge sharing, and training events would help build the country’s capacity for DRM.

6. The amount required for the proposed changes is estimated to be US$2.3 million, which will be allocated under Component 4. No reallocation between disbursement categories would be needed. The proposed restructuring would include an amendment to the Grant Agreement to reflect the above changes proposed under Schedule 1, Part 4 (c).

7. The proposed restructuring responds to the priorities set by the Government of Sint Maarten for the use of project funds, as expressed in the Prime Minister’s request. Funds are available to process the proposed additional payments. However, overall, cost overruns are foreseen as project activities (particularly repairs) and management have proven significantly more costly than originally estimated. Further financing will therefore be needed independently of this restructuring to complete originally programmed activities. Considering the above, it is expected that the Project will either be restructured based on a prioritization discussion with Government or topped up with additional financing, to be requested as appropriate from the Sint Maarten Recovery, Reconstruction, and Resilience Trust Fund.

II. DETAILED CHANGES